CHAPTER –II

Review of Literature

*A*fter the nationalisation of 14 commercial banks in 1969 and 6 banks in 1980, the banking in India has witnessed radical changes in the banking sector. Apart from the purely commercial dimensions, social aspects also became significant after nationalisation. The banks have extended their branches at all possible places of the country so as to serve the masses, to mobilize their savings deposits so as to utilize them for income growth and development of the country as a whole. The Indian financial sector has been undergoing significant transformation as a result of the reform process which began a decade ago. During this period stupendous changes have taken place in the banking industry. The recommendations of Narsimham Committee paved a new path for banking industry to make itself sustainable in a phased manner, without compromising the social and national objectives. The thrust of the reforms in the 10 years period has also been to make Indian banking global in character. Hence, keeping in view the major changes of the reform era in the Indian banking sector, need has been felt to study the performance of Public Sector Banks in India. In this context it becomes prudent to study the different studies conducted in this field in order to assess the gap in the pre and post period reforms in the performance of commercial banks.

In India not many detailed studies have been conducted on the present subject specially in the post reform period. The studies in related subject have been conducted abroad also but these studies may not be much relevant in the Indian context but can still provide an insight on the present subject.

The research studies have broadly been divided into two sections. The first section mention the studies on related topics conducted in the developed countries, whereas the second section covers the studies conducted in India.

STUDIES CONDUCTED IN DEVELOPED COUNTRIES:

Frey (1970)[1] in his studies on 'Optimal Asset and Liability Divisions for a Small Bank' concludes that the extent to which the rural bank should make loans hinges on the feed back relationships. The results showed that the model bank often meeting less than 50 percent of its loan demand in general, the policy constrains caused a higher proportion of loans to be made than when the constrains were removed. The higher interest rate generated a module increase in loan activity. The study revealed that decreasing capital and liquidity constrains increased profit of the bank. The study also serves as a useful point of departure in explaining bank behavior in relation to the increasing farm loan needs.

Tushmans (1970)[2] in his study on 'Cash Flow Analysis relating to Commercial Bank Liquidity' suggests that its primary implications for bank management is that loans provide a large source of liquidity. Further the bank needs to improve its information system so that cash flows can be forecasted with greater accuracy. Moreover, the traditional treatment of loan liquidity in a stock exchange is found to be inadequate. Regulating agencies must consider the net cash flow generated by loan repayments relative to the bank's needs for cash if the deposit declines.

Booth (1971)[3] wanted to create a 'Portfolio Management Model for Banks', which will give a bank (especially a small bank) the opportunity to improve its investment and liquidity decisions. Using range analysis, he discovered that in the selected economic environments the investments and liquidity decisions suggested by the model are 'ceteris peribu'. In the same status of nature sensitive to the forecasted maximum amounts of loans that are demanded by the public, and in most states of sensitive nature to the forecasted maximum amounts of deposits that are provided by the public. These decisions are not found to be sensitive to the forecasted maximum levels of non-deposit liabilities in any state of nature. When the conditions of ceteris peribus are removed, it is found that the investment and liquidity decisions are some what less sensitive to the loan demand and deposit level perimeters. This finding supports the contention that the model's output may be interpreted in a dynamic context.

Domonkos (1972)[4] in his study on 'The Management of Commercial Bank Liabilities', concludes that cost variance declined with the increase in yields offered on savings deposit (holding the costs of demand deposits constant) only, if there existed negative correlation between demand and saving-deposits flows. Further, the reduction in the cost variance was found to be greater, the more negative the degree of deposit correlation, the lower the ratio of the cost of savings deposits to the cost of demand deposits, and the greater the variance of demand-deposits flows as compared to the variance of savings- deposits flows.

Joagvin (1974)[5] in his empirical study on 'Profitability of Banks', concludes that (i) the rediscount rate is positively related to profitability, only local banks have a negative relationship, between returns on owners equity and re-discounts rate; (ii) the relationship between profitability and rate of growth is not consistent.

Prestopino (1974)[6] studied the impact of differential reserve requirements on the 'Operating Policies and Portfolio Composition of the Commercial Banks'. The results showed that most banks can consider the required reserves an important source of short-term liquidity, though the required reserves are not liquid assests. Hence, a positive liquidity efforts are conceivable.

Sack (1974)[7] tested the applicability of the 'Delphi Method' in short term forecasting. The study concluded that the Delphi group was more accurate in its forecasts but not at the prescribed alpha test level. Moreover, when the participants are relatively well informed concerning the variables they are forecasting, the value of the Delphi process can appear to be in the basic design of its systematic procedure rather than the availability of information.

Wood (1977)[8] 'Investigated the Nature and Effectiveness of Planning in the form of Profit of large U.S. Banks'. The study led to the conclusion that formal planning in the form of profit planning and strategic planning were increasingly being integrated into the management system of large U.S. banks.

Paul (1977)[9] studied on 'Bank Balance Sheet Behaves Concerning Deposits Expectations'. In his study, it is found that the modern yields forecast, which trades the observed series quite well, indicate that a substantial proportion of the overall variability in bank deposits is systematic and can be predicted from the past knowledge of the series. Additionally, support is found for the hypothesis that deposit-generating structure differs from bank to bank. The short time horizons time deposits are more predictable than demand deposits, and that sequences of time and demand deposits are independent. Further it is found that expected responses of bank balance sheet adjustment based on such models are highly sensitive to specification of the mechanism whereby banks are assured to form expectations concerning the future course of their deposits.

Klein (1977)[10] studied on the topic 'Impact of Long Range Planning on Profit and Growth of Commercial Banks'. The study indicates that bank size is an important variable affecting the growth trends in the commercial banks. Further, the extent of long range planning efforts undertaken does influence the growth trends.

Nnedu (1977)[11] studied 'Customers Perception of Commercial Bank Services'. The main findings of this study were (i) The commercial banks are satisfying the older bank customers more than the younger one. (ii) The older bank customers, as a group, are more aware of the existence of the various services provided by the banks than the young customers (iii) Commercial banks are satisfying the female customers more than the male customers (iv) College education or the lack of it does not significantly affect the perceptions of bank customers. (v) Occupation membership (white or blue collar) and residential location do affect the perceptions of bank customers in varying degrees.

Jackson (1978)[12] in his study on 'Informational and Behavioral Consideration of Bankers in the Small Business Loan Decisions', suggests that accountants should be responsive to bankers, who have special information needs regarding small business. Further, the study reveals that (i) neither the form of the information nor the bank size had an impact on the loan decision, (ii) the reliability of source of repayment was the discriminating variable for this particular loan decisions (iii) bankers made subjective estimates of the probability of payback as part of their decision process.

Diviatia (1978)[13] worked on the 'Cost of Banking Services'. The result of the study provided a profile of the serving cost of various activities undertaken by the banks. The results showed a remarkable degree of consistency when compared with banking Commission's case study of 1970.

Sopp (1978)[14] In his study an 'Empirical Investigations into investigated the Relationship Between Long-Range Planning and Bank Performance'. The purpose of this study was to examine the extent of long-range planning by commercial banks and to study the relationship between such planning efforts and bank performance.

The main conclusions of the study were: (i) Measures of Bank profitability i.e., return on assets and return on equity were found to be not significantly related to the levels of long-range planning (ii) The measures of deposit growth was found to be significantly explained by long-range planning efforts (iii) As with deposits growth, long-range was also significantly related to long-range planning efforts (iv) As the planning level increases, the required capital necessary to support a given risk asset base decreases.

Buschmann (1979)[15] Studied empirically 'The Portfolio Behavior of Sample of Commercial Banks'. The study concludes that some banks are more willing than the others to adjust their assets mix and to purchase funds in order to accommodate variations in loan demand over the credit cycle.

STUDIES CONDUCTED IN INDIA.

A general scanning of the literature available in India from different published sources indicates that very few detailed research studies have been conducted in this field. Moreover, whatever the little is available it is normally related to the traditional economic analysis of banking industry in general. Moreover the literature on the performance of PSBs after liberalisation period is also bleak.

But, a number of critical and empirical articles studies relating to various aspects of bank management have been appearing in the journals like 'Prajnan', journal IBA and other financial journals. The relevant studies on the subject in India are reviewed hereunder:

Padwal and Bandyopadhyay (1973)[16] examined the question of 'Bank Branch Location in Rural Area'. The objective of the study was to develop a scientific framework for analysing environmental data and to arrive at a meaningful location and branch expansion plan. The District results of the study give indication that, (a) from the long term interest of the bank's business, it is profitable for the bank to open maximum number of branches in the earlier years of planning horizon; (b) the micro level decision-making whether for branch location or formulation of specific schemes it is not possible without having the data at the micro level for operating new branches cells for sound decision-making based on objective criteria rather than a subjective judgement.

Patil (1974)[17] studied 'Problems and Challenges of Rural Credit' and concluded that despite institutional finance being a subject of major controversy and rural credit presenting inherent difficult problems, the nationalised commercial banks need not to be afraid of accepting the challenges of rural development. They may very well identify the specific local problems of rural finance, discipline the borrowers, involve the voluntary institutions, input declares and make available to the farmers the package of the practices-cum-technical services. With the adoption of this integrated agricultural credit-cum service concept. (a) The element of risk would be reduced to the minimum; (b) Production efficiency would increase; (c) 'Borrowing power' of the farmers to secure credit and 'bargaining power' to sell the produce would increase, and (d) Repayment of loan installment can be better ensured.

Patil and others (1975)[18] conducted a case study on the 'Frame work for Banking Development Programme for a state'. In the study, the researchers pointed out that the proper branch expansion and location planning were crucial to the fulfillment of the developmental objectives of the banking system. Further any programme of branch expansion within a specified plan period is constrained by the organisational manpower and profit considerations for the system as a whole during its plan period. keeping these constrains in view, the programme consists essentially of two components.

Palor and Sita (1975)[19] studied 'Branch Expansion Planning for the Banking Industry' in depth and formulated district-wise branch expansion plan for the five-year plan period i.e. 1974-79. The objective of the study was to evolve a branch allocation scheme for branches to be opened, as to bring about maximum reduction in the currently existing disparities in respect of banking presence among various districts of the country, between underdeveloped areas and within each district. The study concluded that the planning process evolved could be better turned as need based branch allocation which balances demands on banking structure with the capacity of banks to respond to the demands. Further, the study suggests that if the banks feel that they have some more capacity to open branches, it would not be incompatible to permit them to open remaining branches wherever they wish.

A study by Vaghul (1976)[20], on 'Employee Development for Efficient Customer Service' revealed two major objectives (i) to provide empirical evidence with regard to the extent of customer satisfaction/dissatisfaction in the banking industry and (ii) to identify specific areas of bank's operations where customer dissatisfaction is high, so that action strategies could be developed around such areas.

The main findings of the study are : (a) delays in customer's service flow not only out of defective systems but also due to the attitude of employee's; (b) even if systems are modified, unless the employee's attitude changes, the desired results cannot be achieved; (c) employee's attitude is not susceptible to change through class room training, they can be changed only through experiences; (d) the most appropriate time to calculate new value systems and attitudes on the part of the employees is when they join the organisation. Because at this moment they are most susceptible to be influenced by the organisational values and practices; (e) the legislation, National Bank Status, low time deposits and low equity capitalization. Demand effects and temporal variations also significantly affect banking. Moreover, some variables favourably associated with one performance characteristics tends to adversely related to another. The study showed that the complex interactive effects of banking activity cause may thus generate unanticipated. if not desirable, effects on the American banking system, if new regulations designed to limit finished competition are applied to the industry.

Ganesh (1978)[21] in his paper on 'Monitoring Profitability in Banks', emphasises that the effectiveness of monitoring system would depend upon profit plan, identification of profit-centres setting standards for comparison of profit-centres-management information system. The study indicates that the working funds as the base for the purpose of comparing profitability at branch level has been found inadequate and relating it to the total business (i.e. the sum of the total deposits and total advances) will be more suitable. Finally, the study suggests a monthly proforma of profitability monitoring for reporting to the central office.

(a) Determination of total number of branches of different types to be opened in a state, district or block.;

(b) Given the total number of branches to be opened, to determine the approximate location of such branches, so that the development objectives are served.

The study discovered that, (i) the action plan so evolved should clearly indicate the implementation agency/agencies and underpin their responsibilities; (ii) the experience of district coordination committees and state level consultation committees was not very helpful in the development of banking in the state; (iii) the whole process was multi-dimensional, involving actions and interactions among the different agencies. As many of these dimensions are highly correlated, the final plan would have to be arrived at in an interactive manner and would undergo changes during its implementation.

Singh (1979)[22] in his study on the relationship between 'Cost of Bank Credit and Prices', concludes that (i) it would be wrong to urge that the present high rates of interest produce in general a significant tendency for the prices to rise further: (ii) the effect of rise in interest rates is somewhat significant only in those companies which are inefficient and burdened with excess borrowing from commercial banks; and (iii) the percentage spread, or the difference between interest received and interest paid, has been declining for the banks.

Shah (1979)[23] in his critical analysis on 'Bank Profitability', concludes that the profitability cannot and will not improve merely by increasing the margin between lending and borrowing rates, or by minimum service charges for all banks. On the contrary, any increase in income will be observed by latest efficiencies in cost structure. Further, the spread between the interest earned and the interest paid is declining. It is not because the interest margin has been squeezed but because of their staffing and working patterns are inefficient, funds and investment management is poor, credit is not supervised and procedures and forms are complex and wasteful.

Aggarwal (1979)[24] examined the concept of social obligation of the banks in his published thesis entitled, "A Portrait of Nationalised Banks - A study with Reference to their Social Obligations". The study had carried out the following objectives : (i) what do the society and the nation expect from these banks in the 'present day economy of the country? (ii) What steps were taken by the management of these banks to fulfil the various obligations? (iii) Has the management been able to discharge them satisfactorily? and (iv) How can management of these banks be improved upon for discharging the various social obligations more successfully and satisfactorily'?

The main findings of the study were; (i) providing number of branch offices for the public in general and in semi-urban and rural areas in particular. as well as at unbanked rural sectors; (ii) mobilising more fixed deposits and deposits from the rural areas (iii) providing greater credit facilities to the public, priority sector and neglected sectors as well; (iv) financing of primary agricultural cooperative societies and sponsoring regional rural banks; (v) helping generation and maintenance of employment opportunities in the country; (vi) financing the Government societies; (vii) popularising the bill form of credit; (viii) resorting as little as possible to the refinancing and the borrowing facilities; and (ix) opening branches in their lead districts.

Zahir (1980)[25] advocates that the transfer pricing is one of the important methods of evaluating branch level performance of commercial banks. The study advocates the concept of opportunity cost for determining the transfer price for branches which should be taken as natural 'projects center'. To encourage branch manager to meet the bank objectives of priority sector leading at concessional rates. It further suggests, the branches should be given credit at a minimum of transfer price at which excess funds are transferred to the H.O. Again, necessary weightage should be given to management objectives other than profits, such as deposit mobilisation, priority sector lending, recovery, etc., for proper evaluation of branch level performance. However the profitability objective should in no case be lost right of completely. When applied to a selected number of different kinds of branches of a particular nationalised banks, the above transfer pricing mechanism made the profit statements of branches more meaningful and informative. Moreover, the system was claimed to have provided built in incentives to branch managers who started seeing the impact of their day to day decision on their profit performance without sub-optimisation of overall objectives of the bank.

(i) Seeing the performance of banks under the earlier scheme of social control, it can be observed that even private banks should have worked to fulfil the policies laid down by the Government, so that there was no need of extreme measure of nationalisation.

(ii) However, after nationalisation, the people with smaller means too can approach a bank for credit and banks attempts to reform their credit practices are also significant.

(iii) Keeping in view the importance of banks and the nature of banking service, nationalisation of banks in India cannot be said to be improper.

(iv) In the period of rising prices, liberal credit expansion is not possible. This situation is an obvious limitation on extending credit to hitherto neglected sectors on a very large scale. So, the success of the bank nationalisation in India cannot be judged easily on the basis of credit facility granted to priority sectors.

Study of the Birla Institute of Scientific Research (1981)[26] (Economic Research Division)- on "Banks Since Nationalisation" , an attempt to compare the public as well as private sector banking growth since nationalisation. Banks' branch expansion programme, deposit mobilisation, credit disbursement, production function, economic feasibility of banking sector etc., have been covered. The results of the study clearly conclude the rapid expansion in the banking facilities since nationalisation of banks in all the major fields of banking activities.

Aggarwal (1981)[27] in his Ph. D. thesis entitled, 'Commercial Banking in India after Nationalisation– A Study of their Policies and Progress', has studied the performance of banking, their policies and progress after nalionalisation. The main findings of the study were:

(i) Seeing the performance of banks under the earlier scheme of social control, it can be observed that even private banks should have, worked to fulfil the policies laid down by the Government, so that there was no need of extreme measure of nationalisation.

(ii) However, after nationalisation, the people with smaller means too can, approach a bank for credit and banks attempt to reform their credit practices are also significant.

(iii) Keeping in view the importance of banks and the nature of banking service, the nationalisation of banks in India cannot be said to be improper.

(iv) In the period of rising prices, liberal credit expansion is not possible. This situation is an obvious limitation on extending credit to hither to neglected sectors on a very large scale. So success of the bank nationalisation in India cannot be judged easily on the basis of credit facility granted to the priority sectors.

Kamal Nayan (1982)[28] in his empirical work 'Performance Evaluation of Commercial Banks, Development of an Evaluation Model'; has suggested a model for evaluation of performance of the commercial banks. The main findings of his studies are as follows (i) At the micro level the existing system of performance budgeting has left much to be desired and cannot be objectively used for evaluation of branch level performance (ii) the present system of ranking the banks on the basis of aggregate deposits fails to show their overall achievements. (iii) The techniques of inter firm comparison used in this study also fail to give an integrated picture of the total performance, besides being too detailed. complicated and time consuming (iv) The solution to this problem lies in developing and using performance evaluation model which facilitates the computation of the integrated performance index, based on all the important and quantifiable parameters of performance.

Bilgrami (1982)[29] in his book on 'Growth of Public Sector Banks- A Regional Growth Analysis', has studied the banking growth using variables branch expansion, deposit mobilisation, credit disbursement and priority sector lending over a decade since nationalisation. The main findings of the study are summarised as (i) the rapid expansion of bank branches since 1969 has substantially increased the average number of bank branches per million population in all Regions as well as in all States 1979 (ii) but such expansion could not actually proved helpful in eliminating the wide variations between backward and developed regions, as well as among backward and developed states; (iii) the states and regions which were above the national average population served by one bank in 1969, recorded more progress than the states and regions which were below the national average. Similar trends also emerged in case of deposits, credits and priority sector lending.

Mukundan (1983)[30] in his research study on 'Monitoring of Lead Bank Scheme' Function of Lead Bank Officers and Lead District Officers has pointed out in detail the various aspects of Lead Bank Schemes. The objectives of the study are to see: (i) that the policies of the Government of India, the State Government, the Reserve Bank and the Credit Agencies are being properly and faithfully implemented, and a system of feedback which will enable the evaluation, correlation and review of the policies and procedure is evolved by the respective authorities according to the needs of the situation; (ii) that the performance of the implementing agencies is reviewed against the goals set in terms of physical and financial magnitudes, quality and time schedule; and (iii) the proper exercise of control functions by the middle level officers/agencies, which also provide backward and forward feedback with a view to ensuring implementation of the schemes and influencing policy formulation is ensured.

Kondle (1984)[31] in his Ph. D. thesis on 'Lead Bank Scheme in Himachal Pradesh: Progress and Perspectives' studied the role of Lead Bank Scheme in the reduction of inter-district disparities in banking facilities in Himachal Pradesh. He concludes that the Lead Bank Scheme has been instrumental in reducing the inter district disparities, in banking facilities, per capita advances and per capita deposits to a considerable extent. He has given the following suggestions for the improvement in the implementation of Lead Bank Scheme (i) Banks under lead bank scheme should not only assist in the formulation of District Credit Plans, but also in their fulfilment. (ii) The branches should be as nearer as possible to the rural, client, for developing banking habits and providing credit and technical services. (iii) There is a need for identifying programmes suited in accordance with resource potential of various districts (iv) The aim, should be to change the role of Lead Bank from one of competitions with the other lending agencies to that of servicing in form of preparing area wise specific credit schemes, (v) The Lead Bank should have adequate technical expertise of its own in its lead districts.

Kiran (1987)[32] in her empirical work 'Managing Profits Profitability & Productivity in Public Sector Banking' has studied the emerging trends in the profits and profitability of some selected public sector banks in India. She has also highlighted the need for. The introduction of management essentials for better management of profits and profitability of public sector banks.

She concludes that the profitability of the sample banks is on the decline. For ensuring the better profitability management system in the banking industry, the study recommends proper management of both costs and earnings. In case of management of costs (a) Banks should conduct profit analysis on the basis of products and accounts. This would help the banks in recasting their cost estimates for different types of activities/group of customers. (b) Strick control should be exercised on the variable cost/ expenses. In case of management of earnings; (i) the pricing system of ancillary services should be based on earning aims. (ii) operational units of the banks should charge the prescribed service charges in place of discretionary service charges (iii) Banks should improve their profitability, through vigorous and intensive mobilisation of deposits.

Ghosh (1989)[33] provided an overview of significant changes that took place in Indian banking scenario during the last four decades. The study revealed that after nationalisation there occurred a shift in the pattern of sectoral deployment of credit from large and medium scale industries to small scale industries and agriculture. Similarly, the share of the backward areas in total bank credit also recorded a substantial jump after Nationalisation. The policy maker should not forget about the role assigned to the commercial banks to fulfill the objectives of growth with equity.

Karunagaran and Benjamin (1989)[34] analysed the performance of commercial banks in Tamilnadu during 1969-86. The analysis was carried out with the help of some sample indicated like population coverage by banks, distribution of their branches, deposits and advances in different population groups etc. The progress of commercial banks in the state of Tamil Nadu was also compared with that in the country or a whole. The analysis pointed out that by and large, the banking industry in Tamil Nadu was not in a good state of health.

Jain (1993)[35] in his work studied the various aspects of bank marketing. He suggested the areas where weaker and undeveloped sections of society needed support. He focussed on the specific expectation on various types of banking customers and highlighted the specific points for banker-customer relationship. He also pointed out that the disparities in branch expansion and credit deployment should be reduced.

Boovendran (1993)[36] in his research paper examined how the transition phase from a high CRR/SLR regime to a lower one can be used to simplify the laws related to the maintenance of CRR/SLR . The study also suggested that the liberalisation of the economy would be more meaningful if the complex rules and regulations are simplified. The banks will be greatly benefited if NDTL and SLR assets are redefined.

Rao (1994)[37] in his article on 'Reviews of three Similar Sized Nationalised Banks' concluded that all the banks have added sizeable funds of their deposits. But, the rise in deposits exceeding two years have not been substantial. As regards advances, these banks have gone slow due to non-fulfillment of capital adequacy norms.

Debnath (1994)[38] conducted a study on 'Managing Non-Performing Assets: A professional Approach for better Assets Management'. The study stated that the credit management efforts of banks were so long following a known pattern and an indigenous concept of health code system could not give enough thrust to provide new direction to it. The banks need to coin a new slogan – 'Manage Credit better or perish' It also suggested an altogether new managerial approach for managing credit asset– the bread and butter.

Sinha (1995)[39] a examined the role of credit management, technological upgradation and human resource management, in the emerging competitive environment.

Kumar (1996)[40] exhibited that the scheduled commercial banks operating in rural areas of India witnessed an increase of 19 times in their branches in 1995 as compared to that of 1969. Similarly, these banks registered an increase of 222 to 227 times respectively in their deposits and credit during the same period. He suggested to 'redefine rural banking' by taking into consideration the changes in these areas, aided by science, technology and rapid commercialisation.

Shreedharan (1996)[41] in his article on 'Indian Banking Industry's Dilemma' for the year 1995 and 1996. The analytical exercise was under taken with reference to net worth, liabilities, assets, income, expenditure and profitability and efficiency of different groups in the banking system. It was revealed that by and large, the public sector banks lagged for behind the foreign and private sector banking in respect of all the variables analysed. The researcher suggested that the programme and policies regarding commercial banking should be redefined in such a way that there exists a coordination between the commercial viability and social responsibility of the public sector banks.

Sogala (1996)[42] suggested 'A new system for the Performance Rating of Banks' with the use of statistical technique of the MADM called AHP and explained how such a comprehensive measure signaling the overall status of a bank is useful for financial markets and policy formulation and implementation.

Godse and Chakrabarty (1996)[43] conducted a Study on 'Concept of Risk and its Management'. The study stated the concept of risk and its components, risk situation in Indian banks, possible options to manage risks and prerequisites for risk management.

Shivamaggi (1997)[44] in his research paper was of the view that the adequacy of the banking infrastructure in rural areas should not be judged quantitatively alone i.e. in terms of coverage of population and geographical area. Rather. It should be rather judged from the achievement of the targets for agriculture and other aspects of rural banking development and from the quality, efficiency and effectiveness of the services provided by the banks in rural areas.

Kohli (1997)[45] analysed the impact of directed credit under priority sector on the profitability of commercial banks in India. She brought into light that the directed credit was not solely responsible for the deterioration of profitability and the poor quality of portfolio of these financial institutions. The researcher however, called for the re-appraisal of the credit policy of India in the line of the policies implemented in the East-Asian countries.

Gopal (1997)[46] highlighted the types, characteristics and an analysis of competitive forces in his study 'Competition in the Banking Industry'.

Majumdar (1998)[47] in his study exhibited the commercial banks failed to fulfill the stipulated targets of priority sector lending from 1991 to 96. The analysis suggested that keeping in view the importance of priority sector in the Indian economy there is a need for the re-orientation of credit policy in favour of this sectors.

Patel and Kaveri (1998)[48] conducted a study on 'Non Performing Advances in Priority Sector'. The study highlights the magnitude and implications of non-performing advances and factors responsible for accounts becoming non-performing assets in priority sector.

Satyamurty (2001)[49] in this research paper on 'Ratio Analysis model', (RAM). A strategic evaluation and monitoring of bank branches has made an attempt demonstrate the application and utility of RAM model through a case study of trend and inter branch comparison of performance of the branches of nationaised bank in the late nineteen. The researcher concluded that model (RAM) is said to provide an effective tool to analyse and improve the overall performing bank branches.

The review of literature shows that no serious research efforts have been made specially in the post liberalisation period towards critical evaluation and appraisal or the growth of the various operational areas and banks performance. While there have been several piece–meal studies on various aspects of banking, the results fail to bring out the overall resultant picture. No systematic effort has been made to review the comparative performance of banks in relation to various performance indicators, deposits, advances, branches, profits, income and expenditure etc., in terms of different ratios. Such an attempt is necessary to assess the performance of PSB's to know their relative position and performance among these banks. Hence, taking into consideration of the limitations of studies on banking conducted so far, there is a need for a systematic study of the comparative performance of PSB's in relation to various performance criteria specially in the post liberalisation period.

1 Thomas Lee Frey, 'Optional Asset and Liability Decisions for a Rural Bank: An application of Multi period linear Programming', Ph.D. Thesis: Urbana Champaign: University of Illinois, 1970.

2. Gery David Tushman, 'Cash Flow Approach to the Determination of Commercial Bank Liquidity', Ph.D. Thesis :University of California, 1970.

3. George Goaffrey Booth, 'The Management of a Commercial Bank Portfolio: A Programming Approach', Ph. D. Thesis: University of Michigan, 1971.

4. John Anderws Dermonkos, 'The Management of Commercial Bank Liabilities: A Portfolio Approach', Ph.D. Thesis: Case Western Reserve University, 1972.

5. Veraza Lopez De Joagvin, 'Profitability of spanish Private Banks', Ph.D. Thesis: University of Michigan, 1974.

6. Chris Joseph Prestopino, 'The Impact of Differential Reserve Requirements on Commercial Bank Liquidity and Portfolio Management's', Ph.D. Thesis: University of Pennsylvania, 1974.

7. John Charles Sack, 'A test of the Applicability of the Delhi Method of Forecasting as an Aid to Planning.8. Hobson, Hugh Alvin, Analysing co-variation of a measure of Commercial Bank Profitability to Determine Homogenous groupings of banks', Ph.D. Thesis : University of Georgia, 1978.

8. Dexter Robley Wood, 'An Analysis of the Strategic and Operational Planning System in Large United State Banks', Ph.D. Thesis :The University of Tennesee, 1977.

9. A.Paul 'Deposits Expectations, Forecasting and Individual Bank Balance Sheet Dynamics', Spindi, Ph.D. Thesis: Santa Barbara, University of California, 1977.

10. Hans Emil Klein, 'Impact of Longrange Planning on Profits and Growth in Selected Segment of Commercial Banks', Ph.D. Thesis: University of Kentuky, 1977.

11. Hgbuacho Buseness Lhameje Nnedu, 'Customers Perceptions of Selected Commercial Bank Services in Greely, Colorades', Ph.D. Thesis: University of Northern Colorodo, 1977.

12. Rich Anne Jackson, 'Informational and Behavioral Consideration of Bankers in the Small Business Loan Decision', Ph.D. Thesis: University of Massachusetts, 1978.

13. V.V.Divatia A Haman, 'Meenakshi Tyagarajan, and Ramachandran, C.S. "Cost of banking services, 1976', *Reserve Bank of India Bulletin'*, 32 April, 1978 pp.244-259.

14. Richard Wilson Sopp, 'An Empirical Investigation into the Relationship Between Long-Range Planning and Bank Performance', Ph.D.Thesis: Houston University of Houston, 1978.

15. Nancy Kay Buschmann, 'Business Loan Demand and Commercial Bank Portfolio Behaviors', Ph.D. Thesis: Indiana University Graduate school of Business, 1979.

16. S Padwal and R, Bandopadhyay 'Bank branch location in Rural Area: An or approach', *Prajanan,* II, 2 April-June, 1973, pp. 163-86

17. A R Patil, 'Problems and challenges of Rural Credit A core for Nationalised Banks', *Prajnan,* III, 3, July-September, 1974 , pp. 391-409.

18. R K Patil, B.R. Sridhar, and Bandyopadhyaya 'A frame work for Banking Development Programme for a state - case study of Bihar', *Prajnan,* IV, 2, April-June, 1973, pp. 183-213.

19. SD Varade, S.M. Palor, and M. Sita, 'Branch Expansion Planning for the Banking Industry', *Prajnan,* IV, 2, April-June, 1975, pp. 145-82.

20. N Vagul, 'Employee Development for Efficient Customer Service' *Prajnan,* V, 2, April-June, 1976, pp. 67-84.

21. K Ganesh, 'Monitoring Profitability in Banks', *The Commerce,* 39, 3554, July
28, 1979, pp. 25-27.

22. Sampat P Singh, 'Cost of Bank credit and Prices' *The Journal of Indian Institute of Bankers,* 50,4 October-November, 1979, pp. 84-95.

23. S G Shah, 'Bank Profitability: The real issue', *The journal of the Indian Institute of Bankers,* 50,3 July-September, 1979, pp. 130-44.

24. H N Aggarwal, 'A Potrait of Nationalised Banks': *A Study with Reference to their Social Obligations,* Inter- India Publications, Delhi.

25. M A Zahir, 'Transfer Price Mechanism for Performance Evaluation' in Joshi, N.C. and Kesary, V.G. (ed.), *'Readings in Management',* Allahabad, A.H., Wheeler and Company Pvt. Ltd., 1980, pp. 413-22.

26. Birla Institute of Scientific Research (Economic Research Division), *Banks since Nationalisation,* Allied Publishers, New Delhi, 1981.

27. B P Aggarwal, *Commercial Banking in India After Nationalisation. A study of their Policies and Progress,* Classical Publishing Company, New Delhi, 1981.

28. Kamal Nayan, 'Performance Evaluation of Commercial Banks, Development of an Evaluation Model', Ph.D thesis: Himachal Pradesh University, Shimla, 1982.

29. S A R Bilgrami, 'Growth of Public Sector Banks - A Regional Growth Analysis', Deep & Deep Publications, New Delhi, 1982.

30. A P Mukundan, 'Monitoring of Lead Bank Scheme: *Functions of Lead District Officers', Prajnan,* XI, 3 July-Sept. 1983, pp. 181-194.

31. Ramesh Kondle 'Lead Bank scheme in Himachal Pradesh Progress & Perspectives', Ph.D, Thesis: Himachal Pradesh University, Shimla, 1984.

32. Kiran Chopra *Managing Profits, Profitability & Productivity in Public Sector Banking,* ABS Publications, Jalandhar, 1987.

33. D N Ghosh, 'Commercial Banking; Lessons from Indian Experience', *The Journal of Indian Institute of Bankers,* Vol. IX No.1, January - March 1989, pp. 45-51.

34. M Karunagaran & R C Benjamin 'Banking Experience in Tamil Nadu' in V.S. Mahajan (ed.), *Studies in Indian Banking and Finance,* Vol. I Deep and Deep Publication, New Delhi; 1989, pp. 371-82.

35. Alok Kumar Jain, 'Marketing Challenges for Commercial banks in India, A Managerial Approach', Ph. D. Thesis: University of Rajasthan, Jaipur, July,1993.

36. K Boovendran, 'Requirement need Rationalisation', *IBA Bulletin,* Vol. XV, No.11, 1993.

37. Dr B Ramchandra Rao, 'Review of three similar sized nationalised Banks', *The Banker,* Oct.,1994.

38. Kalyan Debnath, 'Managing Non-Performing Assests- A profession approach for better asset Management', *IBA Bulletin,* Vol. XVI, No. 5, May, 1994.

39. R.P. Sinha, 'Public Sector Banks Gearing up for Competition', *The Banker,* 1995.

40. Minna Kumar, 'Bank Operating in the Rural Area' , *Financial Express;* Vol. XXI, No. 375, March 10, 1996, p.8.

41 M Shreedharan, 'The Indian Banking Industry's Dilemma', *Express Investment Week,* Vol No. 6, No. 51, Dec. 16-22, 1996, pp. 10-13

42 S S Sogala, 'A new system for the performance Rating of Banks', *IBA Bulletin,* Vol. XVIII, No.2, Feb. 1996, p.8.

43. V T Godse & K C Chakravorty, 'Concept of Risk and its Components', *IBA Bulletin,* Vol. XVIII, No.2, Feb. 1996, p. 8.

44. H B Shivamaggi 'Banking Infrastructure for rural sector', *Economic & Political Weekly,* Vol. XXXII No. 43, 25-31, 1997. pp. 82-84.

45. Renu Kohli, 'Directed Credit and Financial Reform', *Economic and Political Weekl,* Vol XXXII, No. 42, Oct 18-24, 1997, pp. 67-76.

46. K S Gopal, 'Competition in the Banking Industry', *IBA Bulletin,* Vol. XIX, No.1, Jan,1997, p.1.

47. N A Majumdar 'Credit Support to Priority Sectors; A Macro Perspective', *Economic & Political Weekly,* Vol. XXXII No. 4 , Jan. 23-30. 1998 pp. 147-150.

48. K V Patel & V S Kaveri, 'Non-Performing Advances in Priority Sector', *IBA Bulletin,* Vol. XX, No.6, June, 1998, p.16.

49. D Satyamurty, 'A Strategic Tool for Performance Evaluation and Monitoring of Bank Branches', *IBA Bulletin,* Vol. XXIII, No. 3, March 2001, p.132.